Columbus Speech & Hearing Center

Financial Report
December 31, 2022

Contents

Independent Auditor's Report

Board of Directors
Columbus Speech & Hearing Center

Opinion

We have audited the financial statements of Columbus Speech & Hearing Center (the Center), which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Center as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Center has changed its method of accounting for leases effective January 1, 2022, due to the adoption of Accounting Standards Codification 842, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

RSM US LLP

Columbus, Ohio
July 27, 2023

Columbus Speech & Hearing Center

Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	$ 1,801,852	$ 1,349,664
Receivables, net:		
Clients	64,011	140,480
Pledges	75,000	-
Other	7,990	7,368
	147,001	147,848
Prepaids	49,213	20,400
Inventory	14,460	14,832
Investments	1,519,681	-
Assets held for sale (land and building), net	-	1,679,880
Total current assets	3,532,207	3,212,624
Long-term assets:		
Property and equipment, net	306,438	142,191
Right-of-use assets	1,244,867	-
Deposits and other assets	13,409	9,483
Total long-term assets	1,564,714	151,674
Total assets	$ 5,096,921	$ 3,364,298
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 449,384	$ 481,700
Notes payable—current	11,119	27,197
Liabilities held for sale (notes payable)	-	566,018
Deferred revenue	112,252	113,039
Current portion of lease liabilities	289,863	-
Total current liabilities	862,618	1,187,954
Long-term liabilities:		
Notes payable—noncurrent	520,748	511,245
Lease liabilities, net of current portion	955,004	-
Total long-term liabilities	1,475,752	511,245
Total liabilities	2,338,370	1,699,199
Net assets:		
Without donor restrictions	1,740,050	1,653,845
With donor restrictions	1,018,501	11,254
Total net assets	2,758,551	1,665,099
	$ 5,096,921	$ 3,364,298

See notes to financial statements.

Columbus Speech & Hearing Center

Statement of Activities and Changes in Net Assets
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public support:			
United Way funds	$ 10,000	$ 10,000	$ 20,000
Contributions and grants	392,316	1,256,300	1,648,616
Total public support	402,316	1,266,300	1,668,616
Revenue:			
Government fees for services	43,324	-	43,324
Clinic fees	1,439,281	-	1,439,281
Hearing aid and assistive listening device sales	1,755,029	-	1,755,029
Building rental	12,648	-	12,648
Investment income	20,698	-	20,698
Other income	320,008	-	320,008
Gain on sale of land and building	715,785	-	715,785
Total revenue	4,306,773	-	4,306,773
Net assets released from restrictions	259,053	(259,053)	-
Total public support and revenue	4,968,142	1,007,247	5,975,389
Expenses:			
Program services	4,172,620	-	4,172,620
Supporting services—management and general	503,825	-	503,825
Fundraising	205,492	-	205,492
Total expenses	4,881,937	-	4,881,937
Change in net assets	86,205	1,007,247	1,093,452
Net assets:			
Beginning	1,653,845	11,254	1,665,099
Ending	$ 1,740,050	$ 1,018,501	$ 2,758,551

See notes to financial statements.

Columbus Speech & Hearing Center

Statement of Activities and Changes in Net Assets
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Public support:			
United Way funds	$ 10,000	$ 10,000	$ 20,000
Contributions and grants	429,311	8,535	437,846
Paycheck Protection Program income	546,788	-	546,788
Total public support	986,099	18,535	1,004,634
Revenue:			
Government fees for services	31,607	-	31,607
Clinic fees	1,449,716	-	1,449,716
Hearing aid and assistive listening device sales	1,783,048	-	1,783,048
Building rental	197,256	-	197,256
Investment income	696	-	696
Other income	27,477	-	27,477
Total revenue	3,489,800	-	3,489,800
Net assets released from restrictions	26,252	(26,252)	-
Total public support and revenue	4,502,151	(7,717)	4,494,434
Expenses:			
Program services	3,896,562	-	3,896,562
Supporting services—management and general	402,311	-	402,311
Fundraising	257,053	-	257,053
Total expenses	4,555,926	-	4,555,926
Change in net assets	(53,775)	(7,717)	(61,492)
Net assets:			
Beginning	1,707,620	18,971	1,726,591
Ending	$ 1,653,845	$ 11,254	$ 1,665,099

See notes to financial statements.

Columbus Speech & Hearing Center

Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 2,260,286	$ 327,630	$ 105,004	$ 2,692,920
Payroll taxes and employee benefits	279,592	69,540	9,104	358,236
Total compensation	2,539,878	397,170	114,108	3,051,156
Hearing aid and assistive listening devices	573,668	-	-	573,668
Conferences, meetings and staff development	7,744	351	351	8,446
Bad debts	10,075	-	-	10,075
Consulting, legal and accounting	141,501	8,093	27,093	176,687
Printing	12,137	393	5,298	17,828
Telephone	30,919	1,743	1,950	34,612
Supplies	54,081	1,368	1,833	57,282
Utilities	8,778	998	200	9,976
Maintenance, building and grounds	306,117	34,786	6,957	347,860
Postage and shipping	2,659	227	315	3,201
Public relations and development	104,433	38,349	19,174	161,956
Process and service fees	164,818	1,398	1,905	168,121
Equipment repair	22,267	750	750	23,767
Insurance	26,134	2,119	1,075	29,328
Transportation	6,753	3,320	6,018	16,091
Interest and other financing fees	8,012	910	182	9,104
Miscellaneous	9,656	6,828	4,774	21,258
Dues and subscriptions	26,295	906	2,237	29,438
Depreciation of property and equipment	46,730	763	757	48,250
IT support and software	69,965	3,353	10,515	83,833
Total expenses	$ 4,172,620	$ 503,825	$ 205,492	$ 4,881,937
Percentage of total expenses	86%	10%	4%	100%

See notes to financial statements.

Columbus Speech & Hearing Center

Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 1,917,202	$ 265,460	$ 99,116	$ 2,281,778
Payroll taxes and employee benefits	251,741	62,522	8,055	322,318
Total compensation	2,168,943	327,982	107,171	2,604,096
Hearing aid and assistive listening devices	589,691	-	-	589,691
Conferences, meetings and staff development	10,543	495	495	11,533
Bad debts	9,262	-	-	9,262
Consulting, legal and accounting	124,150	11,679	106,679	242,508
Printing	9,342	398	2,706	12,446
Telephone	10,022	822	1,062	11,906
Supplies	42,696	632	910	44,238
Utilities	55,866	6,348	1,270	63,484
Maintenance, building and grounds	154,993	17,613	3,523	176,129
Postage and shipping	2,950	162	286	3,398
Public relations and development	115,130	12,905	6,453	134,488
Process and service fees	153,645	621	857	155,123
Equipment repair	21,789	853	853	23,495
Insurance	40,048	3,247	1,647	44,942
Transportation	2,937	893	1,742	5,572
Interest and other financing fees	42,095	4,783	957	47,835
Miscellaneous	22,572	1,551	2,373	26,496
Dues and subscriptions	15,836	316	7,116	23,268
Depreciation of property and equipment	235,942	7,718	7,660	251,320
IT support and software	68,110	3,293	3,293	74,696
Total expenses	$ 3,896,562	$ 402,311	$ 257,053	$ 4,555,926
Percentage of total expenses	86%	9%	5%	100%

See notes to financial statements.

Columbus Speech & Hearing Center

Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	**$ 1,093,453**	$ (61,492)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**48,250**	251,320
Realized and unrealized loss on investments	**2,966**	-
Noncash interest expense	**4,823**	24,622
Amortization of right-of-use assets	**266,935**	-
Gain on sale of land and building held for sale	**(715,785)**	-
Change in:		
Receivables	**847**	19,465
Prepaid, inventory and other long-term assets	**(32,367)**	(6,370)
Accounts payable and accrued liabilities	**(35,678)**	48,026
Deferred revenue	**(787)**	(5,465)
Operating lease liabilities	**(266,935)**	-
Net cash provided by operating activities	**365,722**	270,106
Cash flows from investing activities:		
Purchase of investments	**(1,522,648)**	-
Purchase of property and equipment	**(172,095)**	(72,453)
Proceeds from sale of land and building held for sale	**2,383,247**	-
Net cash provided by (used in) investing activities	**688,504**	(72,453)
Cash flows from financing activities:		
Repayments of notes payable	**(602,038)**	(44,507)
Net increase in cash and cash equivalents	**452,188**	153,146
Cash and cash equivalents:		
Beginning	**1,349,664**	1,196,518
Ending	**$ 1,801,852**	$ 1,349,664
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 4,281**	$ 23,213
Supplemental schedule of noncash investing and financing activities:		
Purchase of property and equipment with accounts payable	**$ 27,984**	$ -
Right-of-use assets obtained in exchange for lease liabilities	**$ 1,498,477**	$ -

See notes to financial statements.

Note 1. Organization and Summary of Significant Accounting Policies

Organization and background: The Columbus Speech & Hearing Center (the Center), was founded in 1923 to help all people improve communication and vocational independence for life. The Center is a nonprofit agency which provides services to people of all ages who are deaf or who may have communication disorders related to speech or hearing impairment. The Center serves clients throughout Ohio and is funded through billings for services or products and grants from third-party agencies.

Basis of presentation: The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Use of estimates: The accounting and reporting policies of the Center conform to U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Net asset classification: Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are those that are free of donor-imposed restrictions, and include all revenue, expenses, gains, and losses that do not relate to net assets with donor restrictions. Net assets with donor restrictions are those net assets whose use has been limited by donors to a specific time period or purpose. There are no donor restricted net assets that must be maintained into perpetuity at December 31, 2022 and 2021.

Cash and cash equivalents: For purposes of the statements of cash flows, the Center considers all investments with an original maturity date of three months or less to be cash equivalents.

Accounts receivable: The Center asks for copay or full fee at time of service from individuals. The Center follows up on insurance claims after 60 days. If the insurance claim is denied, the amount is due immediately from the individual. Accounts receivable are reported at the amount that reflects the consideration to which the Center expected to be entitled in exchange for providing the service. This estimate is based upon management’s review of patient accounts and an assessment of the Center’s historical evidence of collections. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of change. Subsequent changes that are determined to be the result of an adverse change in the ability to pay are recorded as bad debt expense. Bad debt expense was approximately $10,000 and $9,000 for the years ended December 31, 2022 and 2021, respectively.

Investments: The Center has a diverse portfolio of investments in debt and marketable equity securities. Management determines the appropriate classification of the securities at the time they are acquired and evaluates the appropriateness of such classifications at each statement of financial position date. Investments are stated at fair value with unrealized holding gains and losses, net of the related taxes, are included within investment income on the accompanying statements of activities and changes in net assets.

Property and equipment: Property and equipment is recorded at cost, less accumulated depreciation and amortization. Provisions for depreciation and amortization are computed using the straight-line method based on estimated useful lives of five to 30 years for buildings and improvements; 10 years for program, office and mobile equipment; and three years for computer equipment.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

The Center capitalizes the cost of all property and equipment additions in excess of $2,500; the fair value of donated property and equipment is similarly capitalized. When property and equipment is sold or retired, the cost and related accumulated depreciation is removed from the accounts.

Impairment of long-lived assets: The Center reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Measurement of any impairment would include a comparison of estimated undiscounted future cash flows to be generated during the remaining life of the asset to its net carrying value. The Center believes the carrying values of all long-lived assets at December 31, 2022 and 2021, are recoverable.

Concentration of credit risk: The Center places its cash with financial institutions, and has cash on deposit from time to time in one financial institution in excess of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The finance committee periodically reviews and approves the selection of financial institutions. The Center continually monitors these balances to minimize the risk of loss.

Revenue recognition: The Center's revenue is primarily derived from clinic fees, sales of hearing aids and assistive listening devices, and grants and contributions. The Center recognizes revenue for clinic fees, sales of hearing aids and assistive listening devices under the FASB-issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. A customer obtains control when they have the ability to direct the use of, and obtain the benefits from, the good or service. Transfer of control is not the same as transfer of risk and rewards. Under ASC 606, revenue should be recognized over time or at a point in time.

Revenue from clinic fees, hearing aids and assistive listening devices are reported at amounts that reflect the consideration to which the Center expects to be entitled in exchange for providing these services and goods to patients. These amounts are due from patients, third-party payers (including managed care payers and government programs) and others. Revenue is recognized at a point in time when the performance obligations are satisfied. As the performance obligations relate to contracts with a duration of less than one year, the Center has elected to apply the optional exemption provided in ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied, or partially unsatisfied, at the end of the reporting period. The unsatisfied performance obligation for these contracts is primarily related to services related to hearing aid sales. The transaction price for these contracts is based on gross charges for services provided, reduced by contractual adjustments provided to third-party payers and implicit price concessions based on contractual adjustments and discounts based on contractual agreements, discount policies and historical experience. The Center uses a portfolio approach as a practical expedient to account for these contracts as a collective group rather than individually. Under ASC 606, the estimated uncollectable amounts due from patients are generally considered implicit price concessions that are a direct reduction to revenue. The Center has not historically incurred any costs to obtain contracts.

When the Center's contracts with patients contain multiple performance obligations, the transaction price is allocated on a relative standalone selling price (SSP) basis to each performance obligation. The Center typically determines SSP based on observable selling prices of its products and services.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Payment terms on invoiced amounts are typically 30 days. In instances where the timing of revenue recognition differs from the timing of the right to invoice, the Center has determined that a significant financing component generally does not exist. The primary purpose of the invoicing terms is to provide customers with simplified and predictable ways of purchasing the products and services and not to receive financing from or provide financing to the customer. The Center has elected the practical expedient that permits an entity not to recognize a significant financing component if the time between when the promised service is transferred to the customer and when the customer pays for the service is one year or less. The Center records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred revenue) is also recorded.

If revenue is recognized in advance of the right to invoice, a contract asset (unbilled receivable) is recorded. The Center has deferred revenue of $112,252 and $113,039 as of December 31, 2022 and 2021, respectively, and has no other significant contract assets or liabilities.

The Center provides warranties associated with the sale of hearing aids, in addition to the manufacturer warranties. The first warranty is a limited-assurance-type warranty for which the warranty periods typically extend for a limited duration following transfer of control of the product. Historically, warranty claims for the limited-assurance-type warranty have not resulted in material costs incurred. The Center does not consider these warranties to be performance obligations. The second warranty is an extended product warranty which is considered a separate performance obligation. The extended warranty is recognized over the life of the warranty and a purchase price is assigned to the warranty at the time of sale. The price is fixed through the fee schedule noted above, as the patients can purchase extended warranties.

Grant support that is determined to be a reciprocal transaction is recognized over time when the performance obligations are satisfied. Grants received in advance of revenue being earned are recorded as deferred revenue until the performance obligations are satisfied.

The Center records contributions received, including grants that are nonreciprocal, as revenue in the period an unconditional transfer of cash or other assets, as well as unconditional promises to give, are received. These amounts are recorded at their fair values. The Center reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are recorded as net assets without donor restrictions. The Center reports contributions of land, buildings, and equipment as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated services and assets: Contributed services are recorded when they meet the criteria of (1) creating or enhancing nonfinancial assets or (2) requiring specialized skills and provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. There was $14,608 and $10,317 of donated services for the years ended December 31, 2022 and 2021, respectively. There were no donated assets for the years ended December 31, 2022 and 2021.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Advertising: The Center's advertising efforts are associated with non-direct response programs. The costs are expensed as incurred. The Center had advertising expenses for the years ended December 31, 2022 and 2021, of $133,472 and $109,856, respectively.

Functional expenses: The Center allocates its expenses on a functional basis among its various programs and support services. Expenses are allocated either directly according to their natural expenditure classification or by various statistical bases including revenues, hours worked, salary expense and square footage.

Tax-exempt status: The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, the Center is taxed on other unrelated income if any exists. Currently, the only unrelated business income is rental income.

The Center follows FASB guidance on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Center may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Center, and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

The guidance on accounting for uncertainty in income taxes also addresses derecognition, classification, interest and penalties on income taxes, and accounting in interim periods. At December 31, 2022 and 2021, there were no material unrecognized tax benefits identified or recorded as liabilities.

The Center files Forms 990 and 990T in the U.S. federal jurisdiction. With few exceptions, the Center is no longer subject to examination by the Internal Revenue Service of tax years three to five years from the date of filing.

Recently adopted accounting pronouncement: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842),* to increase transparency and comparability among organizations related to their leasing arrangements. This comprehensive new standard amends and supersedes existing lease accounting guidance and is intended to increase transparency and comparability among organizations by recognizing right-of-use (ROU) lease assets and lease liabilities on the statements of financial position and requiring disclosure of key information about leasing arrangements. Lease expense continues to be recognized in a manner similar to legacy U.S. GAAP. The Center adopted the new lease standard on January 1, 2022, using the optional transition method of the modified retrospective approach. Under this transition provision, results for reporting periods beginning on January 1, 2022, are presented under Topic 842, while prior period amounts continue to be reported and disclosed in accordance with the Center's historical accounting treatment under ASC Topic 840, Leases.

A number of practical expedients and policy elections are available under the new guidance. The Center elected the "package of practical expedients" permitted under the transition guidance, which among other things, did not require reassessment of whether contracts entered into prior to adoption are or contain leases, and allowed carryforward of the historical lease classification for existing leases. The Center has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term at adoption on January 1, 2022.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

The Center made an accounting policy election under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, the Center recognizes ROU assets and lease liabilities based on the present value of lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index). Subsequent changes to an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Center made an accounting policy election to account for each separate lease component and the nonlease components associated with that lease component as a single lease component. Nonlease components that are variable in nature are recorded in variable lease expense in the period incurred.

The Center has made an accounting policy election to use a risk-free discount rate for its leases, determined using a period comparable with that of the lease term, as an accounting policy election for all leases. The risk-free discount rates were obtained using U.S. Treasury securities as posted on the Federal Reserve website.

Adoption of Topic 842 resulted in the recording of an ROU asset and lease liability related to the Center's operating lease of approximately $13,000 on January 1, 2022. The adoption of the new lease standard did not materially impact the change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Pending accounting pronouncement: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities and changes in net assets as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Center is currently evaluating the impact of adopting this new guidance on its financial statements.

Reclassification: Certain prior year balances were reclassified to conform to the current year presentation, with no effect on net assets.

Subsequent events: The Center has evaluated subsequent events for potential recognition and/or disclosure through July 27, 2023, the date the financial statements were available to be issued.

Note 2. Liquidity and Availability

The table below represents financial assets available for general expenditures, such as operating expenses and scheduled principal payments on notes payable, within one year of December 31:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	$ 1,801,852	$ 1,349,664
Receivables	147,001	147,848
Investments	1,519,681	-
Total financial assets	3,468,534	1,497,512
Less amounts not available to be used to meet general expenditures within one year:		
Restricted for specific purposes	1,008,501	1,254
Financial assets available to meet general expenditures within one year	$ 2,460,033	$ 1,496,258

The Center regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. The Center has various sources of liquidity at its disposal including cash and cash equivalents and a revolving line of credit. See Note 6 for information about the Center's revolving line of credit facility.

Note 3. Investments

Investments consist of the following at December 31:

	2022	2021
U.S. treasury and agency bonds	$ 559,348	$ -
Brokered certificates of deposit	960,333	-
	$ 1,519,681	$ -

The investments held at December 31, 2022, mature at various dates through December 2024, but are callable at any time during the year; therefore, these assets are reflected as current on the statements of financial position. A periodic review and evaluation of the Center's investments is conducted to determine if the fair value of any security has declined below its carrying value and whether such decline is other-than-temporary. If such decline is deemed to be other-than-temporary, the security is written down to a new cost basis and the resulting loss is charged against net assets. Investment income is shown on the statements of activities and change in net assets, net of direct investment fees. There were no investment fees for the years ended December 31, 2022 and 2021.

Note 4. Fair Value Measurements

The FASB established a framework for measuring fair value, a three-level valuation hierarchy for disclosure of fair value measurement and enhanced disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Center. Unobservable inputs are inputs that reflect the Center's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs, as follows:

Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques and not based on market exchange, dealer- or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments: The fair values of investments are based on quoted market prices, when available, or market prices provided by recognized broker-dealers. If listed prices or quotes are not available, due to the limited market activity of the instrument, fair value is based upon externally developed models that use unobservable inputs. The Center's investments are accounted for fair value on a recurring basis and are classified as Level 1 assets.

Note 5. Property and Equipment

Property and equipment consisted of the following at December 31:

	2022	2021
Program equipment	$ 682,182	$ 592,028
Office equipment	861,700	861,700
Leasehold improvements	14,234	-
Construction in progress	89,002	-
	1,647,118	1,453,728
Less accumulated depreciation and amortization	(1,340,680)	(1,311,537)
Net property and equipment	$ 306,438	$ 142,191

Depreciation expense was $48,250 and $251,320 for the years ended December 31, 2022 and 2021, respectively.

Note 6. Notes Payable and Revolving Line of Credit

Notes payable consisted of the following at December 31:

	2022	2021
Property and equipment note	$ -	$ 28,542
Economic injury disaster loan	531,867	509,900
	531,867	538,442
Less current maturities	11,119	27,197
	$ 520,748	$ 511,245

Future maturities on notes payable are as follows for the years ending December 31:

2023	$ 11,119
2024	11,429
2025	11,747
2026	12,074
2027	12,411
Thereafter	473,087
	$ 531,867

In July 2019, the Center entered into a line of credit agreement in the amount of $300,000. The line bore interest at the Prime rate plus an applicable margin of 0.50%. The agreement required monthly interest payments and with the principal balance due at maturity. The line of credit agreement was amended to extend the maturity date until January 5, 2024, and includes an interest rate floor of 5.25%. The Prime rate was 7.50% and 3.25% at December 31, 2022 and 2021, respectively. The line is secured by substantially all business assets. There were no outstanding borrowings on the line of credit at December 31, 2022 and 2021.

On April 22, 2020, the Center entered into an Economic Injury Disaster Loan (EIDL) with the U.S. Small Business Administration (SBA) in the amount of $500,000. The EIDL bears interest at 2.75%. The EIDL requires monthly interest and principal payments of $2,136 beginning 24 months from the date of issuance. On March 15, 2022, the SBA extended the deferment period for EIDLs for an additional six months, which resulted in the maturity date extended to October 22, 2051, with full payment of remaining balance and interest due on the maturity date.

Note 7. Employee Benefit Plan

The Center maintains a 401(k) plan (the Plan) for eligible employees. Employees are eligible to participate in the Plan at the time of hire. Employees are eligible for employer contributions after completing one year of service and providing at least 1,000 hours. Participants become fully vested in employer contributions after three years. Employer contributions are generally made by the Center annually and are made at management’s discretion. The Center made no employer contributions to the Plan in 2022 and 2021.

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31:

	2022	2021
United Way allocations not yet received	$ 10,000	$ 10,000
Various programs	1,008,501	1,254
	$ 1,018,501	$ 11,254

Note 9. Special Events

The Center annually sponsors the Great Communicators Golf Outing and other events. Contributions and grants for these events include revenue of $117,420 and $113,878 for the years ended December 31, 2022 and 2021, respectively, which is included in contribution and grants on the accompanying statements of activities and changes in net assets. Total expenses associated with these events were $28,485 and $24,632 for years ended December 31, 2022 and 2021, respectively, which is included in public relations and development on the accompanying statements of functional expenses.

Note 10. Leases

The Center determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. Under Topic 842, a contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Center also considers whether its service arrangements include the right to control the use of an asset.

In January 2022, the Center entered into an agreement with a third-party buyer and sold the land and building at its Columbus, Ohio headquarters in a sale-leaseback transaction (see Note 13). The Center continued to maintain its primary operations at the same building and entered into a lease with the third-party buyer for a term of five years commencing on February 1, 2022. The Center has also entered into various leases for office space throughout central Ohio that expire at various dates through June 2027. A lease may contain options to renew, generally at the Center's sole discretion, with renewal terms that can extend the lease term. These options to extend a lease are included in the lease terms when it is reasonably certain that the Center will exercise that option. The Center's leases generally do not contain any material restrictive covenants.

The Center also enters into various short-term lease agreements in the ordinary course of business. These agreements vary with respect to rental payment requirements and length of rental period; however, the lease agreements do not have terms in excess of 12 months.

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the year ended December 31, 2022:

Operating lease cost	$ 278,455
Short-term and variable lease cost	33,027
Total lease cost	$ 311,482

Note 10. Leases (Continued)

Total rental payments was approximately $311,000 and $27,000 for the years ended December 31, 2022 and 2021, respectively.

Operating lease assets represent the right to use an underlying asset for the lease term and are presented on the accompanying statements of financial position as right-of-use lease assets. Operating lease liabilities represent the obligation to make future lease payments arising from the lease and are included as operating lease liabilities on the accompanying statements of financial position.

Supplemental information related to operating leases is as follows as of December 31, 2022:

Weighted-average remaining lease term	4.2 years
Weighted-average discount rate	1.37%

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the statements of financial position are as follows as of December 31, 2022:

Years ending December 31:	
2023	$ 304,624
2024	305,805
2025	307,000
2026	308,210
2027	44,731
Total lease payments	1,270,370
Less imputed interest	25,503
Total present value of lease liabilities	$ 1,244,867

Future minimum lease commitments, as determined under Topic 840, for all noncancelable leases was approximately $13,000 as of December 31, 2021.

Lease income: The Center leased a portion of its building to third parties under long-term agreements expiring at various dates through July 2025, with renewal options for additional periods in certain cases. The Center generally paid insurance and specified maintenance costs. The leases were assigned to the buyer of the building (see Note 13). Lease income was $12,648 and $197,256 for the years ended December 31, 2022 and 2021, respectively, which was included within building rental on the accompanying statements of activities and changes in net assets.

Note 11. Paycheck Protection Program

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. The CARES Act legislation is intended to provide relief for small businesses that have been negatively impacted by the COVID-19 pandemic. One of the many provisions of the CARES Act, the Paycheck Protection Program (PPP) provides loans to small businesses to prevent layoffs and business closures during the pandemic.

Note 11. Paycheck Protection Program (Continued)

On January 23, 2021, the Center received additional PPP loan proceeds of $546,788. Although there were no assurances, if certain conditions of the PPP loan program were met, the PPP loan was forgivable. The funding was initially recorded as a liability and was subsequently recognized into income as forgivable expense under the program incurred by the Center. Forgivable expenses included eligible payroll expenses incurred by the Center for the period subsequent to receipt of the funding. As of December 31, 2021, the Center had applied for forgiveness and $546,788 had been recognized within Paycheck Protection Program income on the accompanying statement of activities and changes in net assets. The PPP loan was formally forgiven by the SBA in August 2021. The SBA may audit whether the Center qualified for the PPP loans and met the conditions necessary for forgiveness of a loan for up to six years after it forgave the loans. Therefore, it is possible that the Center may have to repay an amount previously forgiven by the SBA.

Note 12. Commitments and Contingencies

The Center is subject to claims and lawsuits in the ordinary course of business. In the opinion of management, the Center has adequate legal defenses and/or adequate insurance coverage for such matters. If not insured, management believes that such matters will not, in the aggregate, have a materially adverse impact on the Center’s financial position, results of future operations, or cash flows.

Note 13. Assets and Liabilities Held for Sale

The Center classifies long-lived assets to be sold as held for sale in the period in which all of the following criteria are met: management, having the authority to approve the action, commits to a plan to sell the asset or disposal group; the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups; an active program to locate a buyer and other actions required to complete the plan to sell the asset or disposal group have been initiated; the sale of the asset or disposal group is probable and transfer of the asset or disposal group is expected to qualify for recognition as a completed sale within one year, except if events or circumstances beyond our control extend the period of time required to sell the asset or disposal group beyond one year; the asset or disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The Center initially measures a long-lived asset or disposal group that is classified as held for sale at the lower of its carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held-for-sale criteria are met. Conversely, gains are not recognized on the sale of a long-lived asset or disposal group until the date of sale. The Center assesses the fair value of a long-lived asset or disposal group less any costs to sell each reporting period, it remains classified as held for sale and reports any subsequent changes as an adjustment to the carrying value of the asset or disposal group, as long as the new carrying value does not exceed the carrying value of the asset at the time it was initially classified as held for sale.

Upon determining that a long-lived asset or disposal group meets the criteria to be classified as held for sale, the Center ceases depreciation and reports long-lived assets and/or the assets and liabilities of the disposal group, if material, in the line items assets held for sale and liabilities held for sale, respectively, in the statement of financial position.

Note 13. Assets and Liabilities Held for Sale (Continued)

In January 2022, the Center entered into an agreement with a third-party buyer and sold the land and building at its Columbus, Ohio headquarters for a total sale price of $2,500,000 in a sale-leaseback transaction. The sale of the building was determined to be a strategic decision to discontinue the efforts of being a building landlord so the Center could instead prioritize time and resources toward the main operations and continue the primary mission of serving the community. The sale of the building also resulted in the Center scaling back on the amount of space that is used by the Center's primary operations in the building. The total amount of the gain on the sale was approximately $716,000 net of fees. As part of the sale, the buyer assumed all long-term lease agreements with third parties. In conjunction with the sale of the building, the Center paid off the balance of the related building promissory notes. There were no assets or liabilities held for sale as of December 31, 2022. The total balance of the notes as of December 31, 2021, was $566,018 and was included within liabilities held for sale. The assets held for sale as of December 31, 2021, consisted of the land and building with a carrying value of $1,679,880.